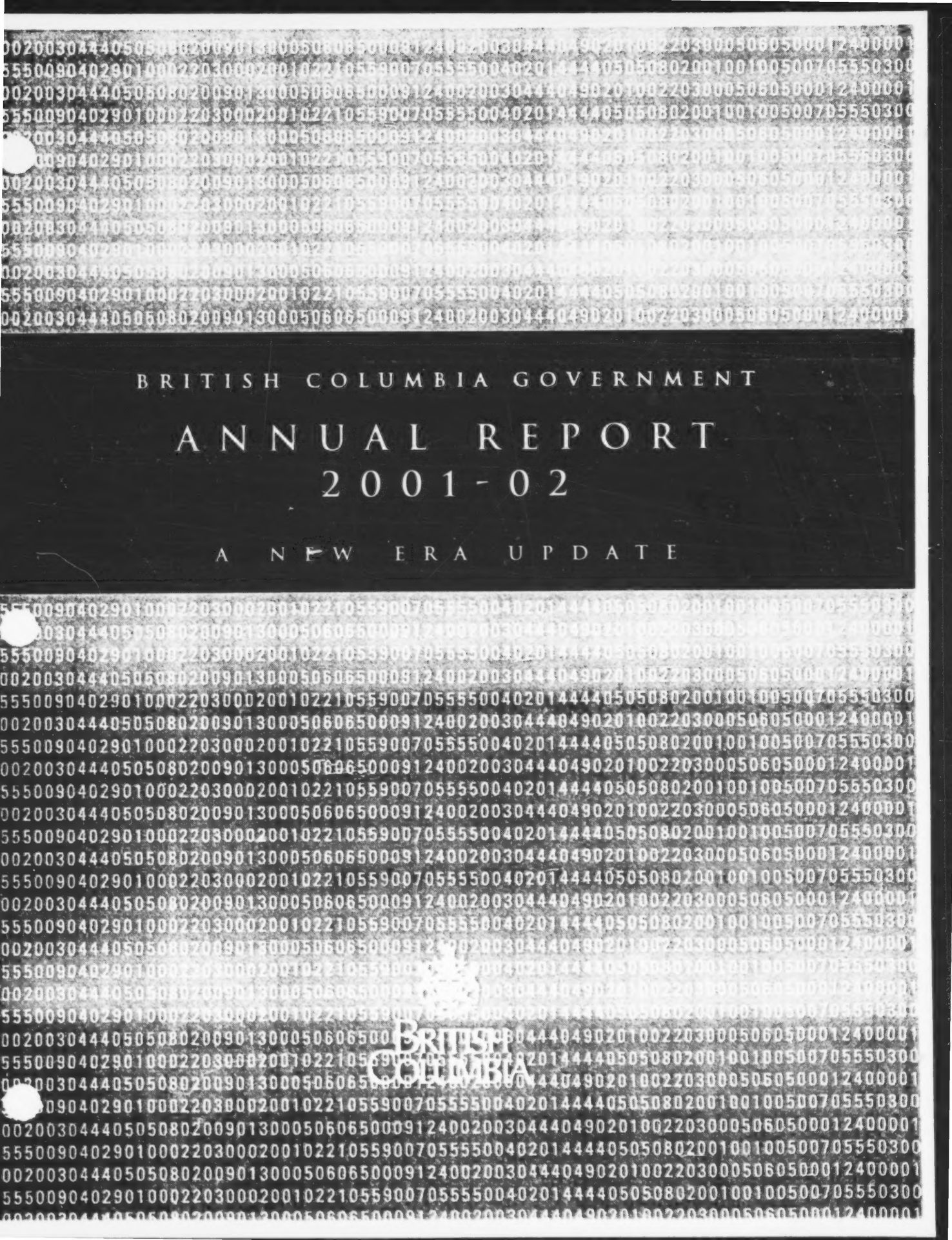
BRITISH COLUMBIA GOVERNMENT

ANNUAL REPORT 2001-02

A NEW ERA UPDATE



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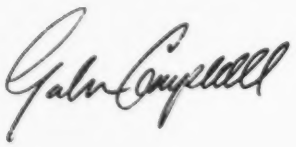
MESSAGE FROM THE PREMIER

I firmly believe that government must report regularly to its citizens on the status of its initiatives. People voted for this government on the basis of our platform. Therefore, over the past year my government has pursued its New Era commitments. This is the first time the British Columbia government has produced a document for the public that sets out what it has done to meet our commitments. The aim of this document is to provide the public with a clear understanding of government's operations and achievements for the 2001/02 year. In future, we will produce a report like this annually.

Citizens want those providing public services to do it well. They rightly ask: "How much is it costing me?" "Where is that money going?" Our government has worked over the last year to rethink how government provides services to British Columbians. We have reviewed all programs and services provided by government in order to determine whether they are still relevant in today's modern economy and to the families it serves. We have also examined whether critical services can be delivered more efficiently, effectively and economically. The result has been a reshaping of government. We believe these changes will result in a new era of hope and prosperity for British Columbians.

Speed and flexibility are the hallmarks of success in the 21st century. We have worked quickly to deliver on our New Era commitments. This report outlines the status of the major policies and priorities we have pursued over the last year, which were set out in both the New Era document and my June 25th letter to each Cabinet Minister. While this annual report takes stock of the last fiscal year, it is important for us to look for long-term results that meet our goals. Government has already looked toward the key decisions that have to be taken over the next several years. These decisions are outlined in the Government's Three-Year Strategic Plan 2002/03-2004/05 and ministry three-year service plans.

I hope this document conveys the government's determination and passion to improve the lives of British Columbians, our commitment to provide top-quality public services, to ensure we have a strong economy and a sustainable environment, and to enable British Columbians to fulfill their aspirations through better education in our schools, stability in our health-care system, and safety in our communities. We want British Columbians to reach their full potential. While I believe we have made some good progress, I recognize in many areas it will take more time to achieve our goals. We can be proud of our accomplishments in 2001/02, particularly given the fiscal challenges we face. I would like to acknowledge the efforts of thousands of British Columbians, in the public service and beyond, who are working to make British Columbia the best place to live, work and build a future.



INTRODUCTION

2001/02 was a transition year, with a new government sworn into office on June 5, 2001. In June 2001 the newly appointed government substantially restructured all government ministries and put in place a significant new policy direction. Later in the year, ministries proceeded through the Core Services Review, which refined their mandates. These changes have a direct impact on the reporting structure for the 2001/02 fiscal year (April 1, 2001 through March 31, 2002). In normal circumstances, an annual report would relate back to the corresponding plan and report on the results achieved compared to that plan. For 2001/02, a government plan and ministry performance plans were filed on April 30, 2001. These plans were produced by the previous administration and relate to the former ministry structures and policy direction. Given the significant reorganization of government and new public policy direction, the government's 2001/02 annual report focuses on the new direction of government since June 5, 2001.

In February 2002, the Government of British Columbia published the British Columbia Government Strategic Plan 2002/03 - 2004/05, "Restoring Hope and Prosperity." This is the new government's first plan that outlines performance targets and measures for all areas of government, and is designed to provide direction for major government priorities. The government's annual report for 2002/03 will report on the progress made toward the performance measures and targets outlined in the strategic plan.

The strategic plan defines the vision and core values of the government, and sets out a direction and plan for policies and programs to meet the government's goals. The main elements are outlined below.

VISION

British Columbia is a prosperous and just province, whose citizens achieve their potential and have confidence in the future.

CORE VALUES

- *Integrity: to make decisions in a manner that is consistent, professional, fair and balanced*
- *Fiscal Responsibility: to implement affordable public policies*
- *Accountability: to enhance efficiency, effectiveness and credibility of government*
- *Respect: to treat all citizens equitably, compassionately and respectfully*
- *Choice: to afford citizens the opportunity to exercise self-determination*

In keeping with government's vision and values, three strategic goals have been identified. These goals are:

VISION

British Columbia is a prosperous and just province, whose citizens achieve their potential and have confidence in the future.

GOAL 1:

A strong and vibrant provincial economy.

GOAL 2:

A supportive social infrastructure.

GOAL 3:

Safe, healthy communities and a sustainable environment.

MANAGEMENT THEMES FOR GOVERNMENT

Government is innovative, enterprising, results oriented and accountable.

The government's 2001/02 annual report is structured around these three goals. The report outlines the government's major public policy commitments and reports on the progress made toward achieving these objectives in 2001/02 through the implementation of a wide range of policies and legislation undertaken throughout government.

One key initiative for 2001/02 was the passage of the amended *Budget Transparency and Accountability Act*, which requires ministries to prepare three-year service plans outlining their priority initiatives, performance measures and performance targets. Provisions of this act also require government and ministers to make annual reports public by August 31 of each year that compare actual results against the government's Three-Year Strategic Plan and ministry three-year service plans. Other government entities, such as Crown corporations, are required to adopt a similar planning and budgeting framework. The government's annual report is the umbrella for individual ministry reports, which are being published in tandem with this document.

This is the first government annual report produced by British Columbia's government under this legislation. We have made a conscious effort to ensure the government's annual report is a readable, user-friendly and concise document that meets the needs of our citizens and fulfills this government's commitment to transparency and accountability.

GOAL 1: A STRONG AND VIBRANT PROVINCIAL ECONOMY

Renewing our economy is the government's top priority; economic growth is the key to government's ability to fund crucial public services like health care and education adequately. Therefore, government's highest priority in 2001/02 was to lay a strong foundation for the elimination of the province's deficit by restoring sound fiscal management and revitalizing British Columbia's economy. A three-year fiscal plan was established to get British Columbia back on a strong financial footing, with a specific goal of balancing the budget by 2004/05.

THE STARTING POINT

Over the last decade British Columbia's economy consistently underperformed. Of all of the Canadian provinces, British Columbia had the lowest productivity growth, the lowest growth in private-sector investment, the lowest growth in per capita gross domestic product (GDP), and one of the least competitive tax regimes in the country. British Columbia's debt doubled from 1990 to 2001. As a result of these circumstances, since 1998 British Columbia has had a net loss of more than 50,000 people to Alberta and Ontario. Businesses also left. The standard of living fell significantly, and people's real disposable incomes fell. British Columbia had become a have-not province, and faced a structural deficit of $3.8 billion by 2003/04.

These circumstances have been exacerbated by a global economic slowdown and the events of September 11th. The effect of terrorism in New York has had a negative impact on the flow of goods and services across our border, as well as on the province's tourism industry. In addition, Canada's failure to reach an agreement on softwood lumber and the U.S. Department of Commerce's threatened imposition of a 27.2 per cent duty on British Columbia's softwood exports has had a devastating impact on our forestry industry, and a concomitant impact on British Columbia's forest families. The softwood situation has generated fear and frustration in communities across the province.

The regulatory regime that was in place stifled economic growth opportunities by placing too much regulatory burden on the business and investment sectors. As a result, the province has experienced a net loss of business and investment, which are the drivers of economic productivity and future prosperity. Each of these circumstances presents the government with significant challenges, but challenges that the government will overcome. Indeed, over the last year the government has made significant progress toward improving the provincial investment climate.

WHAT WE HAVE DONE

REDUCED PERSONAL INCOME TAXES: personal income tax rates were cut across the board by an average of 25 per cent. British Columbians now have the lowest base personal income tax rate in Canada for the bottom two tax brackets. British Columbian taxpayers also enjoy the second-lowest marginal tax rate in Canada.

REDUCED CORPORATE INCOME TAXES: corporate income tax has been reduced from 16.5 to 13.5 per cent in order to encourage the private-sector investment that makes us competitive with other provinces. The provincial sales tax on production machinery and equipment has already been eliminated to encourage productivity improvements. The seven per cent tax on bunker fuel was eliminated to encourage employment and service growth at our ports, and the jet fuel tax was reduced two cents a litre so the Vancouver International Airport can compete globally.

ELIMINATION OF CORPORATION CAPITAL TAX: the corporation capital tax on non-financial institutions, which is a tax on investment, will be eliminated by September 1 of this year to encourage private-sector investment in the economy.

INCOME TAX CREDITS: disability-related income tax credits have been increased, including tax credits for in-home care for elders, disabled dependents and for mental and physical impairment. These credits are indexed to inflation to allow people to undertake long-term planning.

SMALL BUSINESS INCOME TAXES: the threshold for the small business income tax rate has increased from $200,000 to $300,000 to save small businesses money they can reinvest in new jobs and growth.

MINISTRY OF COMPETITION, SCIENCE AND ENTERPRISE: government established a new ministry that focuses on forming and expanding partnerships with entrepreneurs, businesses and organizations throughout British Columbia in order to build a strong private-sector-driven economy, foster an innovation culture for science and technology and develop national and international investment and trade relationships.

ELIMINATED BUSINESS SUBSIDIES: all government subsidies that provided an unfair advantage to one business over another were eliminated.

DEREGULATION INITIATIVE: government is committed to reducing the regulatory burden by one-third. By the end of 2001/02, the regulatory reduction program was underway. Government counted 404,000 regulatory requirements, eliminated 5,000 and was on track to meet the target.

RESTORED OPEN TENDERING: government restored open tendering on government contracts to allow fair competition for businesses and provide better value to taxpayers.

REFOCUSING TAXPAYER RESOURCES: government shifted taxpayer resources to focus on health and education. Education was declared an essential service, and new flexibility has been given to the health and education sectors for purchase of services. The February 2002 budget dedicated significant new funding to the health sector, including $392 million for physicians. The total increase in health spending over two years was $1.6 billion.

BALANCED BUDGET IN 2004/05: the budget tabled in February 2002 detailed strategies for government to reduce the deficit from $4.4 billion in 2002/03 to $1.8 billion in 2003/04, and to balance the budget by 2004/05. Total spending in ministries other than health and education has been reduced by an average of 25 per cent, which is a total of $1.9 billion over three years.

RESTORING WORKERS' RIGHTS: government encouraged a new partnership between employers and employees by creating a more flexible employee-employer environment. Included were restoration of workers' rights to a secret ballot vote on certification, as occurs for decertification, a repeal of sectoral bargaining, restoration of access to pension rights and introduction of a first-job wage rate.

GOAL 2: A SUPPORTIVE SOCIAL INFRASTRUCTURE

Perhaps one of the most difficult challenges we face is to establish and implement a long-term vision in place of the historic practice of short-term expediency. Securing the long-term sustainability of our social infrastructure is an essential component to ensuring a healthy and thriving population. Among the top priorities of this government for 2001/02 were to enable equality of opportunity and equitable access to high standards of education, health, and family services and to achieve this through greater citizen choice. Education is a critical requirement to meet the demands of today's new economy, which will require the province to have a highly educated, skilled and flexible workforce. Having a strong education system entails ensuring high standards are met in every school, institute, college and university, and promoting excellence through education, so the talents of all can be developed to their fullest. It involves clear accountability, measures and assessment of performance. It involves creating options and providing choices. And it requires offering parents and students a voice. Over the last fiscal year, the government began to institute the strategies and structures necessary to develop top-notch education systems for all students in the province.

More government resources are directed to health care than to any other service. However, British Columbians' expectations for health services are rapidly outstripping the economy's and taxpayers' ability to fund those demands. The ongoing and significant growth in health-care costs is not sustainable; nonetheless, everyone in this province should have access to quality health care when they need it. Therefore, in 2001/02, the government began to put into place the governance and institutional reforms that are necessary to ensure that health-care dollars are directed to services for patients. We must shift our efforts from administration to patients, thereby ensuring quality health services to our population.

The most significant influences on individual well-being are conditions we experience in our day-to-day lives. Meaningful work, healthy and supportive work places and steady income all have an impact on our quality of life. Targeted social services – such as effective education, health and family services – are essential components to putting in place the infrastructure necessary to ensure that each of us may reach our full potential. And we must focus our resources on those who need it most.

THE STARTING POINT: EDUCATION

Poor economic, strategic and fiscal management over the last decade has had a significant impact on the province's social infrastructure. The consequences for the province's education system have been noteworthy. Four million student days were lost due to strikes and lockouts. In addition, the school district funding formula was overly complex, rigid and unfair. There were 60 different funding categories: the base allocation, plus 59 other criteria that determined how much funding each district received. These prescriptive criteria dictated how much school districts were required to spend on each provincially determined program area, with no regard to the unique circumstances and individual needs of their communities.

In our advanced education system, British Columbia remains approximately 20 per cent below the national average in degree achievement per capita. Cuts to the number of training positions in nursing and medical technology schools created a serious shortage of nurses and medical technologists. From 1993 to 2000, the number of nursing school graduates plummeted by 27 per cent.

There have been positive outcomes from our education system. British Columbia has a variety of post-secondary and training institutions, and the education sector is well positioned to respond to a variety of educational and training needs. British Columbians can be proud of how well students are prepared for the responsibilities they will face. Comparisons with other jurisdictions and comparisons over time indicate that students in British Columbia's schools do well. They pursue advanced education in the province's colleges, institutes and universities, and gain valuable knowledge and skills in specialized training programs. This province's citizens are among the best educated people in the world, and those responsible for their education are among the best prepared.

WHAT WE HAVE DONE: EDUCATION

PROTECTED EDUCATION FUNDING: funding to the ministries of Education ($4.86 billion) and Advanced Education ($1.9 billion) was preserved, despite difficult fiscal pressures.

RESTORED AUTONOMY OF SCHOOL BOARDS: three-year rolling funding envelopes and a transparent funding formula will enable school boards to do long-term planning.

EDUCATION AN ESSENTIAL SERVICE: education was restored as an essential service under the Labour Relations Code to ensure children's education is not disrupted by labour disputes.

SECURED CLASS SIZES IN LEGISLATION: strict class-size maximums are now in place for Kindergarten to Grade 3, and for Grades 4 through 12 government has ensured that class size averages are flexible. These changes allow decisions to be made at the local level, thereby reflecting students' needs and community priorities.

GUARANTEED PARENTS' RIGHT TO VOLUNTEER: new legislation guarantees parents' right to volunteer at their children's schools, provided it does not displace existing resources.

LEADING EDGE ENDOWMENT FUND: a $45-million Leading Edge Endowment Fund will establish 20 Leadership Chairs across the province in the fields of medical, social, environmental and technological research.

INCREASED POST-SECONDARY ACCESS: new legislation expands degree-granting authority for both private and public institutions to enhance access for students to a range of post-secondary opportunities.

AUTONOMY OVER TUITION FEES: government restored to post-secondary institutions responsibility for determining tuition fee levels in order to ameliorate financial pressures, allow institutions to improve the quality of education they provide, and meet students' needs.

INCREASED MEDICAL SCHOOL GRADUATES: $134 million has been allocated to the British Columbia Life Sciences Centre, which will establish satellite medical schools in Victoria and Prince George, providing a community-based focus that will address rural, geriatric and aboriginal issues and will increase the number of graduates from the current 128 to 224 in 2005.

NURSES TRAINING: the number of nursing and residential care aid training spaces will increase by 1,400 over the next three years.

THE STARTING POINT: HEALTH

When the government was sworn into office on June 5, 2001, there was no comprehensive health plan for British Columbia. As a result, health-care resources have not been used to their maximum advantage. Since 1985, the costs for health care have more than tripled, while federal contributions have declined. In 1992/93, health care took 34 per cent of the provincial budget; today it takes 40 per cent of that budget. Of that new spending, $1.6 billion has happened in the last two years, between 1999 and 2000. And still the system suffered from hospital bed shortages and longer waiting lists. While British Columbia's population grew, the number of medical student graduates remained static. British Columbia has the lowest number of medical students in relation to population of any province that has a medical school.

The health authorities system that was in place was unwieldy and suffered under burgeoning administrative duplication and overlap. Fifty-two health authorities, each with its own bureaucracy, redirected dollars away from patient care. In addition, the health authorities often received their funding envelopes months late, which made management extremely difficult and long-term planning impossible. These factors were compounded by targeted funding practices that were inflexible and unfair.

While there are clearly serious inadequacies in our health-care system, there are some notable areas of progress. The total number of physicians has been increasing in relation to population. In addition, health-care professionals have made progress in identifying systemic problem areas to assist government in directing its energy and resources. British Columbia is the first province in Canada to provide the public with direct access to information on wait times by procedure, hospital and physician. Further, on traditional health measures like infant mortality and life expectancy, British Columbia is among the best in the world.

Health is all about people, and health care is about health services being available for patients in need. We have reached a pivotal point in health care where the status quo is simply not an option. The system is increasingly failing patients because it has not been focused on patients. Our vision of British Columbia's health-care system is the provision of high-quality public health care services that meet patients' needs. We believe we can achieve our vision by working with this province's health-care professionals to address the challenges we face and develop innovative solutions for building a better health-care system for the future.

WHAT WE HAVE DONE: HEALTH

MINISTRY OF HEALTH PLANNING: government created a new ministry whose mandate is to focus on long-term strategic planning and improved performance of the health system.

REFOCUSING RESOURCES ON PATIENTS: the 52 regional health authorities have been restructured to six, in order to create centres of excellence, realize economies of scale, reduce administrative costs, and get maximum value for patients out of every health-care dollar.

IMPROVED HEALTH SERVICE DELIVERY: government removed restrictive barriers on workplace assignments that inhibit alignment of staff resources to areas of patient need, and provided health authorities the ability to manage administration and support service costs more effectively by allowing alternative service delivery.

MEETING RURAL HEALTH NEEDS: a variety of initiatives have begun that will address the special challenges of providing health services in rural and isolated locations, including a Rural and Remote Training Program, forgivable student loans for nursing and medical students who practice in under-serviced areas, and travel assistance for patients and health-care providers.

STRATEGIES TO ADDRESS NURSING SHORTAGES: a $21-million, comprehensive initiative has been introduced to attract and retain nurses, including expanded training and recruitment initiatives, as well as the establishment of forgivable student loans.

PARAMEDIC TRAINING: 1,300 new recruits and part-time personnel of the BC Ambulance Service will receive training to a nationally accredited standard.

DEDICATED FUNDING FOR MENTAL HEALTH: $263 million additional funding has been allocated to revitalize mental health services and deliver better care to people with mental illness, including $138 million in capital funding that will provide new mental health beds needed to deliver community-based services.

FUNDING DOCTORS PAY INCREASES: to fund a $392-million pay increase for physicians and other health-care professionals, the provincial sales tax was increased 0.5 per cent, tobacco tax was increased by $8 a carton, and Medical Services Plan premiums were increased on May 1.

PHARMACARE: when government made changes in January 2002 to reduce the 15 per cent annual increase in Pharmacare costs, it took care to protect the 40 per cent of seniors who qualify for low-income premium assistance.

THE STARTING POINT: SOCIAL SERVICES

Government involvement in the provision of family care services increased exponentially over the last number of years. There has been significant growth in the number of children in the care of the government rising by 32.8 per cent from 7,713 in 1996/97 to 10,247 in 2000/01. As a result, the government has in excess of 5,600 contracts with agencies and individuals providing family care. Our delivery system is costly, and our programs are not achieving their desired outcomes.

Government must refocus its efforts to promote and develop the capacity of families and communities to care for and protect vulnerable children and youth, and to support adults with developmental disabilities. In addition, we must channel more energy to our children's very early years, which is when the most lasting impact on their future development occurs.

In December 2001, there were about 243,000 British Columbians receiving income assistance, representing six per cent of the population. The majority of clients leave the income assistance caseload within six months. However, two-thirds return to income assistance within two years and continue to cycle on and off. More than 70 per cent of income assistance clients older than 35 have an income assistance history longer than 10 years.

Employment is a primary determinant of health and, in fact, is a critical preventative health measure. In a typical year in British Columbia, about 500,000 job openings are created. No matter what people's individual capabilities are, they need a chance to achieve their highest potential and programs designed to assist them in reattaching to the workforce. The appropriate infrastructure must be in place to facilitate such an outcome.

WHAT WE HAVE DONE: SOCIAL SERVICES

RESTORED CHOICE FOR COMMUNITY SOCIAL SERVICES: improved client choice and service in the community social services sector by removing onerous successorship provisions to restore competitive bidding and reduce costs.

RESTRUCTURED INCOME ASSISTANCE: significant changes to income assistance and employment support programs have been adopted with two new employment and assistance Acts that enable British Columbians who receive income assistance to link to sustainable opportunities and employment training services.

REVITALIZED CHILD PROTECTION LEGISLATION: new legislation was introduced to allow government to better serve children and youth at risk by reducing unnecessary administrative burden, maximizing family and community resources, and improving protection and care for those who need it. In addition, intensive planning began for a shift to community governance.

INCREASED FUNDING FOR AUTISTIC CHILDREN: in response to families' requests for greater flexibility and choice, government provided $16.7 million for autism spectrum disorder (ASD), of which up to $8 million is dedicated to an individualized funding option available for families to purchase treatment services for their children under age six with ASD.

THE STARTING POINT: JUSTICE

British Columbia's poor economic performance has had an impact on our crime rates. The province has one of the highest violent crime rates in Canada; the violent crime rate was about 22 per cent higher than the national average in 2001. British Columbia is a leader in developing strategies to protect the public from violent and other high-risk offenders, as well as using the dangerous offender provisions of the Criminal Code of Canada to keep high-risk offenders behind bars. However, the characteristics of youth crime have shifted significantly in the last number of years and must be addressed.

Over the last several decades, changes in both family structure and family dynamics have resulted in a requirement to transform the way justice services are delivered in the areas of divorce, child custody, access, support and protection. In response to these circumstances, a moderate range of mediation and other alternative programs were put in place. There remains significant scope for further improvements, including increased use of alternative dispute resolution processes.

WHAT WE HAVE DONE: JUSTICE

ELIMINATED PHOTO RADAR: the photo radar program was eliminated to enable effective deterrence of speeding through direct and visible policing.

RESTRUCTURED LEGAL SERVICES SOCIETY: legal aid services were restructured to ensure the long-term sustainability of the legal aid program, allowing for a more efficient use of resources while maintaining the third-highest per capita legal aid funding in Canada.

PARENTAL RESPONSIBILITY FOR CHILDREN WHO COMMIT CRIMES: as a public safety measure, government enacted a new law under which property owners who suffer property loss or damage through the intentional act of a child can seek financial compensation from the child's parents.

LIQUOR REFORMS: government is refocusing its liquor industry inspections on service to minors, facilities that continue to provide alcohol to people who are already intoxicated, and the purchase and sale of illicit alcohol. In addition, government has streamlined liquor licensing categories for liquor serving establishments, strengthened the role of local government in controlling public access to liquor in licensed establishments, enabling the sale of spirits in cold beer and wine stores, and increased liquor retail choice in small communities.

CHILD AND SPOUSAL SUPPORT LEGISLATION: legislation was enacted that improves the process to obtain court orders that require people to provide money to support a child or former spouse by enabling interjurisdictional support orders to simplify the process for applicants living in British Columbia.

ADMINISTRATIVE JUSTICE PROJECT: after a comprehensive review of the province's administrative justice agencies, 33 of the province's 67 administrative justice agencies are being restructured, combined or improved to enhance accountability, public access and fairness in decision-making.

GOAL 3: SAFE, HEALTHY COMMUNITIES AND A SUSTAINABLE ENVIRONMENT

British Columbians want to live in healthy, sustainable, autonomous communities where they are protected from harm, where differences between people are respected, and where everyone is treated with fairness and dignity. This government has committed to providing local governments with increased autonomy, where municipal councils have an increased role in community issues and the province will address the public interest of British Columbia as a whole. Central to the public interest is a social fabric that will improve British Columbians' quality of life, including enhancing public safety; promoting diversity; active participation in arts, culture and sports; and protecting and enhancing our natural environment while pursuing sustainable development.

A healthy and sustainable environment is essential to our future. We need to protect our environment and its biodiversity for current and future generations, and manage the development of our natural resources in an ecologically sustainable way. British Columbia's natural resources and biodiversity have been identified around the world as a precious global resource, leading to serious pressure on British Columbia's natural resource industry to achieve the highest possible environmental standards. Historically a resource-based economy, British Columbia's forest, fishing and mining industries have faced difficult times, with fundamental restructuring of their international markets. These factors have had a devastating impact on families traditionally reliant on our natural resource industries.

Exploring alternative sources of energy and encouraging environmentally friendly recreational and industrial practices are essential to maintain the richness and diversity of our environment. The government places a high priority on encouraging a strong private-sector economy that maintains high environmental standards and displays exemplary environmental stewardship. This responsibility for environmental stewardship is shared across all sectors of the economy and all government ministries.

THE STARTING POINT: COMMUNITIES

Over the last few decades, the industrialized economy has transformed from one based primarily on manufacturing and exchange of goods to one dominated by the provision of services and exchange of information. These factors, in conjunction with the generally depressed commodity prices in the 1990s, meant that British Columbia's forestry, mining and fishing sectors have been in an economic downturn for several years, severely affecting single-industry, resource-dependent communities. Changes in the resource sectors have had the greatest impact in rural and remote communities, where these industries have traditionally employed more than 50 per cent of the labour force and contributed as much as 80 per cent of local tax revenues. Industry closures and downsizing have caused significant economic instability in these communities and regions, and untold hardship to those affected.

British Columbians have a reputation as an active people; however, the statistics do not bear this out. In 1999/2000 approximately 840,000 people were registered in 62 different provincial sport organizations. Of this number, two-thirds of participants were under the age of 18. Despite this level of membership, the prevalence of overweight youth increased by 92 per cent in boys and 57 per cent in girls from 1981 to 1996, and teenage obesity has doubled during the same time. Therefore, while British Columbia enjoys high rates of participation in sport, more than 50 per cent of the population is not active enough to derive health benefits.

Government has been working with communities to help them build upon their inherent strengths and develop community-led solutions for many of these issues. Fortunately, British Columbia has a history of rich and diverse cultural traditions. In this province, cultural activity provides a bridge between the diversity of groups who call British Columbia home. Our province's cultural endeavours – the collections in our museums and galleries, the books we read, our visual and performing arts – all give communities a focus for their creativity and expression of common aims and values.

WHAT WE HAVE DONE: COMMUNITIES

COMMUNITY CHARTER COUNCIL ACT: in the 2001 summer legislative session, the first step in delivering a Community Charter was made when the *Community Charter Council Act* was given Royal Assent, and a Community Charter Council was formed. The council has been consulting with municipalities on a variety of issues, including mechanisms to prohibit provincial government offloading of costs onto local taxpayers, giving local governments greater autonomy and better planning tools to reduce pressure on property taxes.

FUNDING FOR NON-PROFIT HOUSING: funding was committed in 2000/01 to help build approximately 700 new units of non-profit housing across British Columbia.

FUNDING FOR WOMEN'S SERVICES: government announced one-time funding of almost $1 million for transition houses and counselling services for women and their children who have experienced violence or abuse.

FUNDING FOR PHYSICAL FITNESS AND AMATEUR SPORTS FUND: government committed to increase the Physical Fitness and Amateur Sports Fund from $22 million to $44 million over four years.

FUNDING FOR FIRST CITIZENS' FUND: government committed to increase the First Citizens' Fund from $36 million to $72 million over four years.

FUNDING FOR LOCAL GOVERNMENTS: unconditional grants totalling $36 million have been provided to local governments to ensure that communities have the resources needed to provide services their residents count on.

THE STARTING POINT: ENVIRONMENT

British Columbia's natural resources are one of the province's features that make it an attractive place to live, do business and visit. They provide significant economic, social, cultural and environmental benefits for all British Columbians, especially to the rural parts of the province. Much of British Columbia's economy is based both on the direct use of natural resources (for example, mining and forestry) and on activities (such as tourism) that depend on natural diversity and environmental quality. The province has a growing urban population with strong environmental values, yet both urban and rural residents rely on extensive access to land and natural resources for economic and recreational uses.

The division of roles and responsibilities for environmental management that was in place has hampered proper planning processes. Outdated, prohibitive environmental regulatory processes have created higher costs for both government and business. In addition, inflexible statutory decision-making processes resulted in conflicts and litigation. Competition for ministry resources between new priorities and traditional activities, along with increased regulation, resulted in service backlogs, poor environmental monitoring and reporting systems, and limited capacity to gather scientific research.

British Columbians recognize that the province's environmental stewardship role is shared with all the province's citizens; to this end, we must better define processes for balancing the economic and social needs of British Columbians with the need to maintain the integrity of our environment in perpetuity.

WHAT WE HAVE DONE: ENVIRONMENT

MINISTRY OF SUSTAINABLE RESOURCE MANAGEMENT: government established a new ministry whose mandate is to provide sustainable economic and environmental development of the province's land, water and resources.

DRINKING WATER: an independent review panel was established in September 2001 to review the *Drinking Water Protection Act*. The review panel completed an interim report in December and a final report on February 13, 2002. Their findings were submitted to the government for consideration.

LIQUID WASTE MANAGEMENT: the government strengthened the Greater Vancouver Regional District's liquid waste management plan with requirements to enhance scientific evaluation and to protect the ecological health of Greater Vancouver waterways. In December, $37 million was provided for 15 water and sewer infrastructure projects, with a focus on safe drinking water.

SCIENCE-BASED STANDARDS: environmental protection measures are being refocused to reduce micromanagement and concentrate on science-based standards and enforcement. Examples include the Grizzly Bear Scientific Panel, the Scientific Advisory Panel and standards on pulp mill discharges.

CROWN LAND APPLICATIONS: the backlog and delays in processing Crown land applications have been reduced, and a new, integrated agency – Land and Water BC – has been established to co-ordinate all Crown land applications and provide integrated services.

PROGRESS ON OFFSHORE OIL AND GAS: offshore oil and gas development could be a multi-billion-dollar industry investment and create 20,000 jobs. A scientific panel was appointed to determine whether offshore oil and gas could be extracted in a manner that is scientifically sound and environmentally responsible. The panel concluded there is no inherent or fundamental inadequacy of the science or technology, properly applied in an appropriate regulatory framework, that would preclude offshore oil and gas exploration and development.

WHAT WE HAVE DONE: ENVIRONMENT

MODERNIZING MINING, ENERGY AND NATURAL GAS INDUSTRIES: government launched a variety of initiatives to modernize the mining, energy and natural gas sectors, including established an Energy Policy Task Force to make recommendations toward a comprehensive, long-term energy policy for British Columbia; introduced a new 20 per cent investor tax credit for new mineral exploration in British Columbia; and introduced a new royalty regime for coalbed methane to encourage development of this new resource.

MODERN MINISTRY OF FORESTS: government established a new policy direction for the Ministry of Forests. New initiatives include market-based stumpage pricing reform and defined area management projects; initiation of a results-based Forest Practices Code; and transferring land-use planning responsibilities to the Ministry of Sustainable Resource Management to provide for more comprehensive land-use planning.

SOFTWOOD LUMBER: since July 2001 the government has actively participated with Canada and the United States in discussions to assess whether there is an alternative to litigation to resolve the softwood lumber trade dispute. As part of these discussions, a series of forest policy changes have been developed to create clearly competitive markets for standing timber, logs and tenure; and to expand the role of market forces in the forest sector.

SALMON AQUACULTURE STANDARDS: environmentally safe aquaculture is an important growth area for British Columbia. New, comprehensive environmental standards and practices have been developed for the managed expansion of the salmon aquaculture industry in British Columbia.

CONCLUSION

This annual report takes stock of the 2001/02 fiscal year; however, the government is already looking to the key decisions that have to be taken over the next several years. We will continue our progress toward the revitalization of British Columbia's economy, restoring sound fiscal management in government and renewing the health-care system to put patients first. The government's primary focus is reinvigorating the economy as quickly as possible. To achieve this outcome, we have instituted 17 new tax relief measures, providing a total of $1.1 billion in net tax relief for individuals, and $390 million in net tax relief for businesses to encourage job creation. We have embarked upon a comprehensive deregulation initiative to cut the regulatory burden placed upon businesses and individuals by one-third to stimulate the economy. Other measures government has put in place to stimulate the economy include public consultation on a new results-based Forest Practices Code, and reforms to streamline requirements and approval processes for the oil and gas sector.

We have worked hard to build a sustainable health system that makes the most out of every health dollar. We are moving from a system that is failing patients to one that is well planned and well managed. Provincial health standards have been established to ensure all citizens, in every part of the province, have access to the same level of reliable, high-quality health services. We are also moving from a system with little accountability for patient outcomes to one that is accountable to the public for results. To ensure this accountability, we have developed clear performance measures for our health authorities. We have increased funding to the health system by $1.1 billion. Each of the six new health authorities has received a funding increase averaging 7.4 per cent.

We have also recognized that a leading-edge, top-quality education system and highly educated citizens are key to job creation and sustaining a strong economy. Parental involvement is a big determinant of how well a child performs in school. This government wants to ensure that parents will have a more meaningful role in reshaping our education system and making it accountable for increasing student performance. To meet these ends, we have refocused the education system towards increased flexibility, choice and parental involvement in the education of their children. We want our education system to focus on the needs of students, and we have made improving student achievement a high priority. Initiatives we have implemented to achieve

our goals include a new accountability system that requires each school, district and the ministry to review performance measures and develop goals and strategies for improvement. School Planning Councils will be established in every public school this year to develop an annual plan for their school that includes goals and outcomes for improvement. We are also increasing access to post-secondary education by expanding degree-granting authority for both public and private institutions.

Government is committed to focusing resources on those who are most in need. We have recently implemented a new employment strategy for people with disabilities, designed to provide individual assistance for those who are able to work. Government has also established a $30-million economic measures fund to support economic development projects and build capacity in aboriginal communities and has increased funding for the First Citizens' Fund. The fund will double over the next four years. We have also entered into a partnership with non-profit societies and municipalities to fund almost 700 new units of non-profit housing across British Columbia.

The greatest challenge is ongoing – to identify strategic priorities and opportunities, to modify the government to adapt to our rapidly changing social and economic environment, and to continue to enhance the province's health and education sectors, our tax competitiveness and investment climate. The series of measures outlined in this report represent the beginning of the government fulfilling its commitment to provide relevant services that are appropriate to people's needs.

You are invited to respond to this report by giving your own comments on what the government has done well, where we need to improve, and your priorities for the years ahead. In the coming year, if we are to achieve the goals and objectives we have set in the Government's Three-Year Strategic Plan, there will need to be more strategic decisions and more hard work.

We have made a good start. But it is only a start. There is a lot more to be done.

We welcome your views, comments and ideas on the contents of this Annual Report.

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